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HRI Food Service Sector

Benelux

2009

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Report Highlights:
This report in combination with the Benelux Exporter Guide and FAIRS Report provides an important road map for U.S. exporters who wish to enter the Benelux HRI market

Includes PSD Changes: No
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Section I. MARKET SUMMARY

Description And Comparison Of The HRI Sub Sectors

The Benelux HRI sector covers cafés/bars, fast-food outlets, full service restaurants, 100% home delivery/takeaway, self-service cafeterias and street stalls/kiosks.

Cafés/bars: This sector encompasses all establishments where the focus is on drinking both alcoholic or non-alcoholic beverages and where food is also served. While a wide variety of snacks and full meals are offered, it is not uncommon for customers to only order a drink.

Fast food outlets: Fast food outlets are typically distinguished by the following characteristics: a standardized and restricted menu; food for immediate consumption; tight individual portion control on all ingredients and on the finished product; individual packaging of each item; a young and unskilled labor force; counter service.

Full-service restaurants: Full-service Restaurants encompass all sit-down establishments where the focus is on food rather than on drink. It is characterized by table service and a relatively higher quality of food offering. It also includes à la carte, all-you-can-eat and sit-down buffets within restaurants. Restaurants at resorts and hotels are in general categorized as Full-service Restaurants.

Takeaway: Fixed units which provide no facilities for consumption on the premises. Food can either be picked up by the consumer, or delivered, often for an additional charge. Common offerings include: pizzas, Chinese, Indian, Mexican, and other local national offerings.

Self-service cafeterias: They provide no (or limited) service content. Food is presented on counters or available made-to-order. The customer chooses the items they want and pays for everything at a separate pay station or check-out.

Street stalls/Kiosks: Small, mobile foodservice providers characterized by a very limited product offering and by low prices.

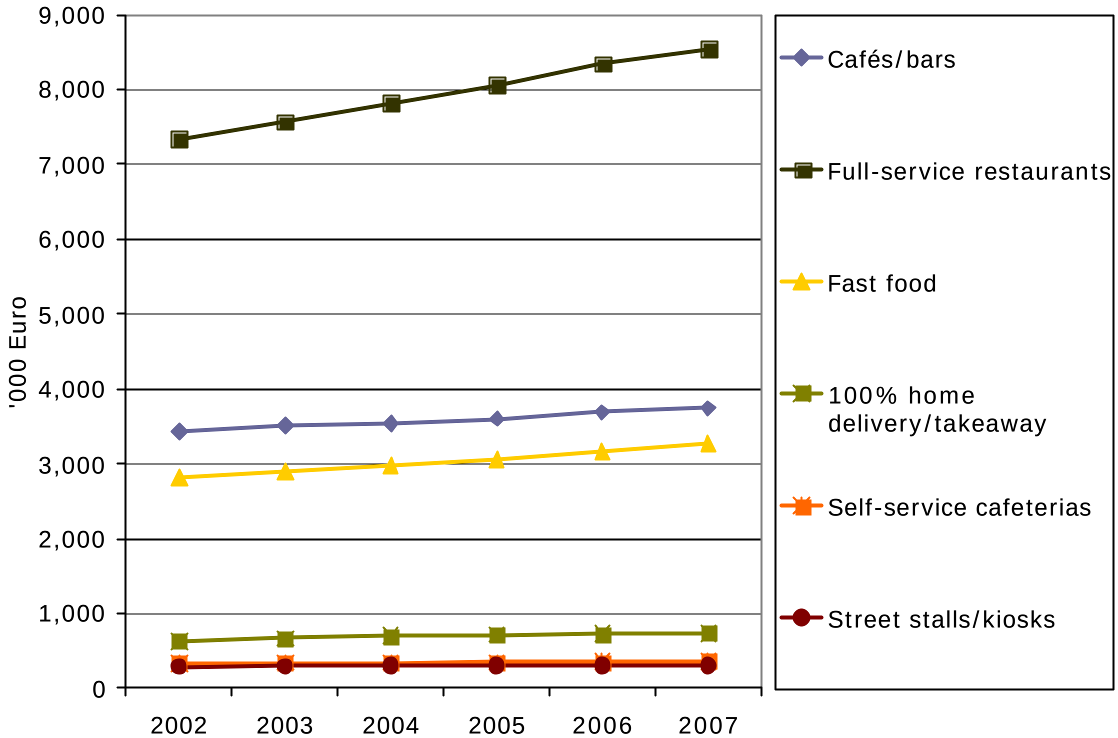
Exchange rates, average:

2006:	2007:	2008:
1 USD	1 USD	1 USD
0.804 €	0.731 €	0.684 €

Source: U.S. Embassy

Value Of The Overall Benelux HRI Industry And Sub-Sectors, Past 5 years

Figure 1: value of HRI industry sub sectors, 2002-2007

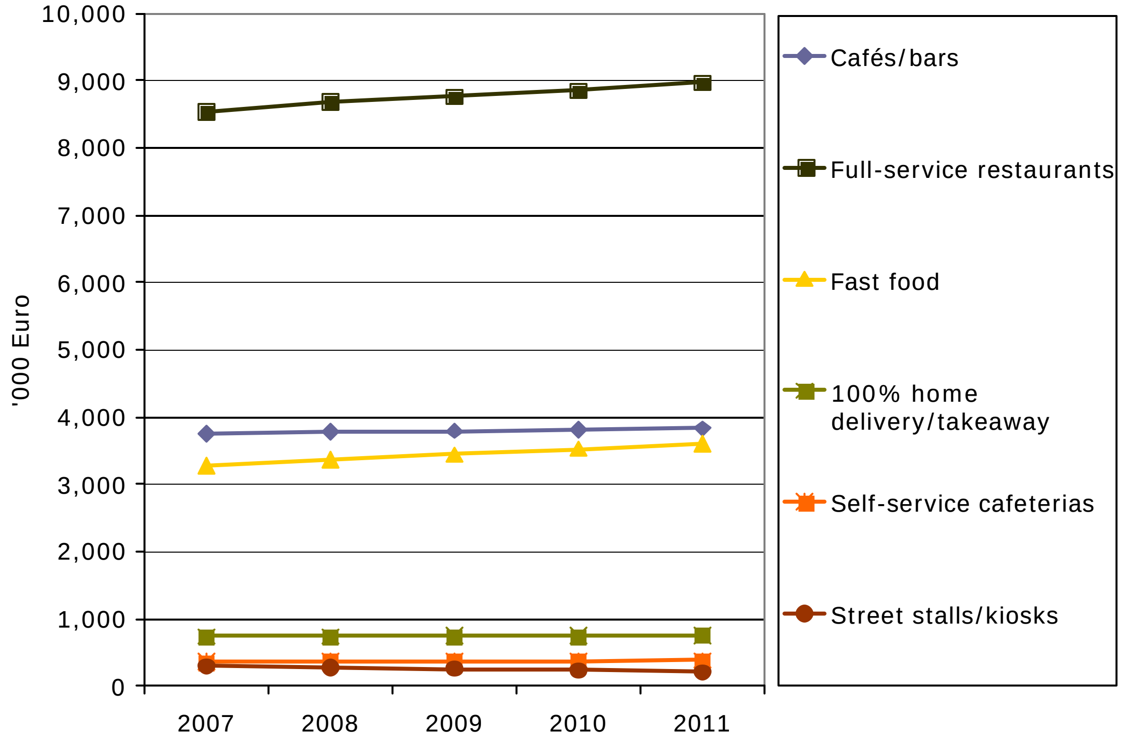


Source: Euromonitor

- Benelux HRI industry grew from 14.9 billion euro in 2002 to 17.0 billion in 2007
- Generally, sales in all sub-sectors have grown between 2002-2007.
- Growth rates were the highest in the full service restaurant and fast food sectors.
- Full service restaurants, fast-food outlets and cafés/bars dominate the Dutch HRI industry.

Expected Growth Rates Of The Benelux HRI Industry And Its Sub-Sectors, Coming Years

Figure 2: expected value of HRI sub sectors, 2007-2011



Source: Euromonitor

- The HRI Industry is forecast to grow from 17.0 billion euro in 2007 to 17.8 billion in 2011.
- Whereas the total market grew by approximately 3% per year up until 2007, it is forcast that in the coming 3 years the annual growth rate will only be a mere 1%.
- The main reason behind this is the decrease in the annual growth for the Full service restaurants and cafés/bars. Also the forcast shrinking market for Street stalls/kiosks will have some impact. Fast food on the other hand is forcast to demonstrate higher growth rates.

Number And Type Of Benelux HRI Establishments

The Full service restaurants and cafés/bars are the largest sectors in terms of number of establishments, both accounting for roughly a third each. Fast food is the third largest sector.

Value Of Imported Food Versus Domestic Products Over The Past 5 Years

- The Netherlands continues to be a leading trading nation; it is after the US the largest exporter and the 6th largest importer of agricultural products in the world.
- After a couple of years of shrinking agricultural production, since 2005 production is up again, mainly driven by a growing turnover in the potato, dairy and flower & plants sector.

- Both import and export figures continue to grow at a fast pace, on average 5-7% per year.
- Belgium is due to its location and infrastructure, also an important trader of ag products. Both imports and exports continue to increase.

Developments/Trends That Affect The HRI Industry

- As of July 1st, 2008 it is no longer allowed to smoke in restaurants, cafés, or any other HRI outlets. Small cafés are affected most since sales have dropped by a quarter. Restaurants are also losing customers but, at the same time, are gaining new clients because of the smoking ban. Preliminary research shows that the smoking ban overall does not affect the HRI industry a great deal.
- The recent financial crisis, on the other hand, is expected to hit the restaurant sector hard. In his annual New Year article in the Economics and Statistics Bulletin (ESB) Ministry of Economic Affairs Secretary General Chris Buijink stated that 2009 will be an exceptionally difficult year. He mentioned that the situation had worsened extremely quickly and the growth predictions had dropped fast.
- "The lower inflation offers possibilities to wage moderation. The quickly rising unemployment in 2010 calls for moderate wage demands", Buijink writes. Although the lower inflation also means that people will have more to spend next year than the cabinet had expected, consumer confidence in the economy is very low. In these uncertain times, consumers are not spending but saving money and one way of doing that is cutting expenditures on eating out. Faced with a significant drop in revenue, restaurant owners will need to adapt to changing market conditions in order to survive.

Figure 3: Annualized inflation 2008, by month in %

Source: Central Bureau of Statistics

- Competition in the Benelux HRI market will remain tough, as new firms enter the market. Retailers of both food (Makro) and non-food (V&D, HEMA, IKEA, etc.) have already claimed prominent positions in the market.
- The changing structure of the Benelux population creates three new lucrative consumer markets for the HRI industry: the graying population, the double income households and ethnic minority groups, all of which are growing.
- Industry analysts believe the Benelux HRI sector is entering a new phase of development and it is generally believed that within the next two decades, the industry profile will change to accommodate fewer small operators and more medium and large establishments. Industry shakeups will occur, with more mergers and acquisitions or strategic alliances, and branding success. In addition, there is still growth for unique, independent, high-end hotels and restaurants.

Advantages And Challenges

Sector Strengths &
Market Opportunities:

- The industry is very fragmented (often family run businesses) and can therefore adjust itself easily to the changing consumer demands.
- The Benelux consumer is curious and wants to try new things; this creates opportunities for new product and service concepts.
- When compared to the US and some European markets, the Benelux HRI industry has the opportunity to enhance its share of total food sales.

Sector Weaknesses &
Competitive Threats:

- Since eating out is more expensive than staying home, the HRI industry is expected to be hit hard due to the current economic crises.
- The small cafés that are especially affected greatly by the smoking ban face an uncertain future.

Section II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

Prior to any export, FAS/The Hague suggests US companies invest in research analyzing the Benelux food culture (concepts, flavors, price, and product requirements). Once the product has been chosen, be aware of fierce competition from not only EU suppliers but also those from outside the EU.

There are several tariff and non-tariff trade barriers that complicate export to the Benelux. An experienced and specialized importer knows the industry, the dynamics, the trade barriers and the required documentation. In addition, the Office of Agricultural Affairs in The Hague (OAA) offers guidelines on import regulations for food products that can be found on http://www.fas.usda.gov/gainfiles/200312/146085322.pdf.

Market Structure

- The Benelux Fast-Food sector and Catering sector are highly consolidated, dominated by a few international and national players.

Figure 4: Leading fast-food companies in the Benelux

Source: FAS/The Hague

Figure 5: Leading caterers in the Benelux

Source: FAS/The Hague

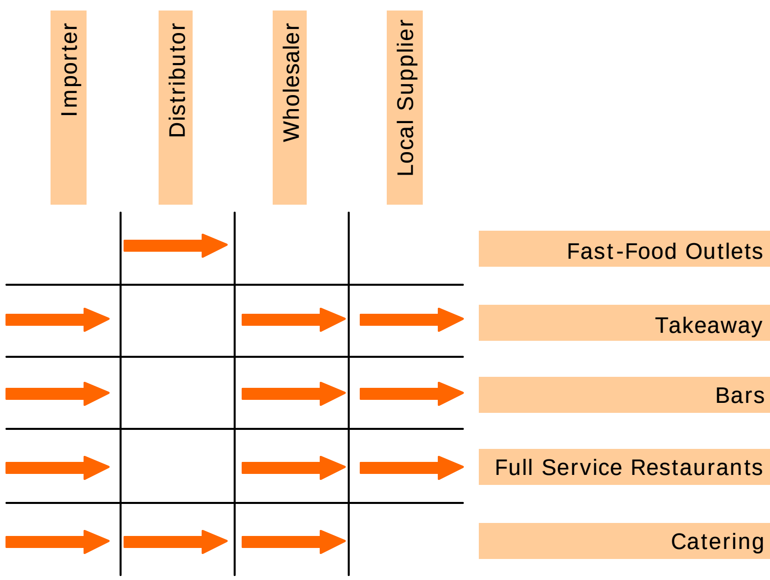
- The other HRI sectors are highly fragmented. In general, all restaurants and cafés are independently operated companies with their own purchase patterns and buyers.
- As the chart on the next page indicates, small and independent entrepreneurs buy their products and ingredients from wholesaler/distributors. There are approximately 10 wholesalers in the Benelux. The leading onces are indicated below.

Figure 6: Leading wholesalers in the Benelux

- Deli XL
- Kweker
- Hanos
- Sligro
- ISPC
- Makro
- JAVA

Source: FAS/The Hague

Figure 7: Distribution Channel Flow Diagram



Source: FAS/The Hague

- Some companies in the HRI industry purchase imported products directly from importers but in general they buy via wholesalers or local suppliers.
- Fast-food companies are frequently part of a large chain with national, regional or global presence. Products are delivered through proprietary distributors, who normally purchase products for all franchisees.
- Due to its consolidated structure, the Benelux catering sector has a limited number of dedicated distributors. Distributors buy directly from producers. Non-EU products are bought through importers.
- Independent restaurants, bars and takeaways buy fresh products (meat, seafood, dairy products, bread and fruits & vegetables) often from local suppliers who in some cases produce those products themselves. These relationships are in most cases personal relationships between the owner of the restaurant and the supplier. For all other products (and non-food) the independent owner generally goes to a wholesaler, except for beer, wine and soft drinks which are delivered.
- For bigger restaurants and/or restaurant chains, there are different players in the supply chain. Local suppliers are not competitive and are replaced directly by wholesalers and distributors.

Sub sectors profiles

Figure 8:Top 15 largest HRI Companies in the Netherlands, 2008

	Company Name	Sales*	Outlet Name, Type, Number of Outlets
1	Van de Valk	520	Van der Valk, hotels & restaurants, 55
2	McDonalds	497	McDonalds, fast-food, 220
3	Golden Tulip (GTHG)	350	Golden Tulip, hotels & restaurants, 83
4	Center Parcs	299	Center Parcs, resort (holiday cottages & restaurants), 8
5	Servex	278	Kiosk/Smullers/etc., restaurants/kiosks/shops, 319
6	NH Hotels	251	NH Hotels, hotels & restaurants, 31
7	Accor	245	Accor hotels, hotels & restaurants, 44
8	Landal Greenparks	223	Landal, resort (holiday cottages & restaurants), 44
9	Maxeda	209	Les Halles/La Place (V&D), department store restaurant, 105
10	Sjoerd Kooistra	122	3 Gezusters, cafés/restaurants, 82
11	Best Western	117	Best Western, hotels & restaurants, 48
12	Bilderberg	109	Bilderberg, hotels & restaurants, 20
13	Hampshire (HH&L)	93	Independent hotels & restaurants, 50
14	Intercontinental Hotels	90	Crown Plaza/Holiday Inn/etc. hotel & restaurants, 10
15	HMS Host	82	restaurants at Schiphol Airport,1

* million €

Source: Misset Horeca

Section III. COMPETITION

Figure 9: competition, the Netherlands

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of local suppliers
Wine Total Imports: 1,159 (million USD) 382 (million L)	France (38%) Germany (10%) Spain (9%) Italy (8%) USA (3%)	Good quality Export tradition/experience Proximity Popular holiday destination	No real commercial availability in the Benelux
Peanuts Total Imports: 279 (million USD) 275 ('000 MT)	Argentina (65%) USA (13%) China (12%) Brazil (3%)	China and India are the largest suppliers; the U.S., Argentina and Brazil are leading exporters.	No local supply
Almonds Total Imports: 100 (million USD) 18 ('000 MT)	USA (62%) Spain (22%)	Spain is an EU MS which makes trade with the Netherlands easier. The US dominates the international almonds trade	No local supply. The Dutch food processing industry needs more almonds than Spain can supply. The production in the U.S. continues to grow and increasingly supplies Europe with high and consistent quality of almonds
Pistachios Total Imports: 99 (million USD) 17 ('000 MT)	USA (74%) China (4%)	The US dominates the international trade in pistachios	Although China, Iran and the US are all non-EU countries, the first two experience problems with the level of aflatoxin on pistachios

Fish fillets (030429) Total Imports: 553 (million USD) 139 (‘000 MT)	Iceland (21%) Vietnam (17%) China (16%) Russia (8%) USA (5%)	Iceland and to a lesser extent Russia, Norway and China are suppliers of cod; Vietnam dominates the trade in pangasius; the U.S. leads the supply of Alaska pollack; Iceland and China supply respectively coalfish and saltwater fish	No local availability of price competitive fish fillets
Milk powder not exceeding 1.5% fat (HS 040210) Total Imports: 396 (million USD) 110 (‘000 MT)	Germany (42%) France (17%) Poland (10%) Belgium (9%) Ireland (5%) UK (4%) USA (2%)	Increasing prices of dairy products on the EU market induced imports from outside the EU, including the U.S.	Due to increased competition on bulk products on the world market, the EU sector is increasingly focusing on added value; this gives opportunities for U.S. producers to supply the EU market with bulk dairy products
Fats and oils derived from milk (HS 040590) Total Imports: 31 (million USD) 7 (‘000 MT)	Belgium (51%) USA (24%) Germany (8%) New Zealand (5%)	Belgium is a major butter oil producer and trader	Belgium and Germany are EU countries and Germany is a neighboring country with the advantage of distance
Butter (HS 040510) Total Imports: 213 (million USD) 2 (‘000 MT)	New Zealand (51%) Germany (17%) Belgium (11%) Poland (4% USA (3%)	New Zealand uses a tariff quota for their butter exports to the EU	
Processed fruit (200899) Total Imports: 188 (million USD) 213 (‘000 MT)	Costa Rica (19%) India (19%) Ecuador (10%) Poland (9%) USA (7%)	The vast majority is mixed processed fruit with added sugar from predominantly Costa Rica, India and Thailand	No local availability of price competitive fruit
Snack foods Total Imports: 1,414 (million USD) 389 (‘000 MT)	Germany (33%) Belgium (29%) France (10%) UK (6%) USA (1%)	Unique products Excellent quality/taste Availability	
Fruit and vegetable juices Total Imports: 1,094 (million USD) 570* (‘000 MT)	Germany (20%) Brazil (18%) China (5%) USA (5%)	Half of Dutch fruit juices imports is citrus juice with Brazil and to a lesser extent Israel, the U.S. and Cuba as	No local availability of fruit and vegetable juices

		leading suppliers. The other half is dominated by pineapple juice imports from Thailand and Costa Rica and apple juice imports from China.	

Source: Globe Trade Atlas

Figure 10: competition, Belgium

Product Category	**Major Supply Sources**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of local suppliers**
Wine Total Imports: 1,435 (million USD) 311 (million L)	France (73%) Italy (5%) Portugal (4%) Spain (4%) USA (0.25%)	Good quality Export tradition/experience Proximity Popular holiday destination	No real commercial availability in the Benelux
Almonds (080212) Total Imports: 82 (million USD) 15 ('000 MT)	USA (50%) Spain (25%)	Spain is also an EU country which makes trade with Belgium easier, the US dominates the international almonds trade.	The Belgian food processing industry needs more almonds than Spain can supply. The production in the U.S. continues to grow and increasingly supplies Europe with high and consistent quality of almonds
Pistachios (080250) Total Imports: 53 (million USD) 9 ('000 MT)	USA (67%) Iran (20%)	The US dominates the international trade in pistachios	Although Iran and the US are both non-EU countries, Iran experiences problems with the level of aflatoxin on pistachios
Fruit and vegetable juices Total Imports: 908 (million USD) 883* ('000 MT)	Brazil (55%) France (15%) Germany (13%) Netherlands (6%) Italy (2%) Spain (2%) Ireland (1%) USA (1%)	Belgium's import of fruit juices is dominated by citrus juice imports from Brazil	No local availability of fruit and vegetable juices
Snack foods Total Imports: 1,139 (million USD) 314 ('000 MT)	France (28%) Netherlands (27%) Germany (21%) Italy (7%) USA (0.2%)	Unique products Excellent quality/taste Availability	
Fish fillets (030429) Total Imports: 253 (million USD) 46 ('000 MT)	China (16%) Vietnam (14%) Chile (8%) Ireland (7%) Denmark (6%)	Iceland and to a lesser extent China and Denmark are suppliers of cod; Vietnam and also China dominate	No local availability of price competitive fish fillets

	USA (2%)	the trade in freshwater fish (pangasius); the U.S. and China lead the supply of Alaska pollack; Chile and China supply respectively pacific salmon and saltwater fish	

Source: Globe Trade Atlas

Section IV. BEST PRODUCT PROSPECTS

Products Present In The Market Which Have Good Sales Potential

- Nuts: almonds, peanuts, pistachios, walnuts, hazelnuts, pecans
- Seafood: pollack, cod, monkfish, haddock, halibut, scallops, lobster, etc.
- Processed Fruit and Vegetables
- Fruit juice concentrates: orange juice, cranberry, grapefruit

Products Not Present In Significant Quantities, But Which Have Good Sales Potential

- Dairy products: milk powder, milk fats and oils, butter
- Ingredients for the natural or healthy foods industry

Products Not Present Because They Face Significant Barriers

- Poultry and non-NHTC beef
- GMO derived ingredients that are not EU approved

Section V. POST CONTACT AND FURTHER INFORMATION

If you have questions or comments regarding this report, or need assistance exporting to the Benelux, please contact the U.S. Office of Agricultural Affairs in The Hague, The Netherlands:

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Please view our website for more information on exporting U.S. food products to the Benelux. Importer listings are available at the Office of Agricultural Affairs in The Hague.

Please find below reports of interest to U.S. exporters that are exploring the opportunities to start exporting to the Benelux food service market. These reports can be downloaded from the following FAS website:
http://www.fas.usda.gov/scriptsw/attacherep/default.asp

Title	Date Report	Number
Benelux frozen potato report	11/26/2008	NL8025
Exporter Guide	10/17/2008	NL8023
FAIRS Export Certificate Guide	10/23/2008	NL8022
FAIRS report	09/11/2008	NL8017
Food Processing Ingredients	06/06/2008	NL8012
EU fishery marketing report	05/06/2008	NL8009
Retail Food Sector	11/05/2007	NL7028
Dutch specialty foods market	09/10/2007	NL7021
Benelux beef market	04/16/2007	NL7008
Benelux tree nuts market	01/29/2007	NL7002